

Pablo's Precision Parts distributes carbon fiber parts for customization of sports cars. The company has a broad customer base, and routinely sells on credit. Annually, the company reviews and updates its allowance for uncollectible accounts. Periodic write-offs against the allowance account are made throughout the year when individual accounts are deemed to be worthless.

Following are relevant facts for the current year:

Prior to recording any year-end adjustments, the total balance of all accounts receivable amounted to \$2,300,000.

The existing Allowance for Uncollectible Accounts had a balance of \$18,000.

No entry was made during the year to increase Allowance for Uncollectible Accounts, but \$40,000 of uncollectible accounts were written off against the allowance during the year.

- (a) What was the beginning-of-year balance for the Allowance for Uncollectible Accounts?
- (b) Prepare a summary journal entry that reflects the \$40,000 of write-offs already recorded by Pablo's.
- (c) Assuming that the year-end allowance should equal 3% of outstanding receivables, what end-of-year adjusting entry is needed?
- (d) How will the accounts receivable and allowance appear on the balance sheet?
- (e) How much expense will appear in the annual income statement as uncollectible accounts expense?